able because such a tax is paid "entirely out of savings," and thus "tends to discourage frugality." Any tax may detract from savings, but this applies no more to an income tax than to any other. Even the real estate tax must be paid out of funds which might perhaps be saved. The fear of "discouraging" something is exhibited in its most extreme form in Mr. Bolton Hall's first article, in which the principle of taxation according to ability is rejected, because such a tax must tend to "discourage" ability. If ability (*i. e.*, ability to pay taxes) is to be spared, the only remaining basis is faculty (*i. e.*, power of production), which is not a very hopeful basis of taxation.

It is remarkable that an argument against the taxation of capital should be accompanied by a proposal to tax buildings, which, in the main, are no less clearly capital and no less useful instruments of business enterprise than bonds or money at interest. The title of the book leads us to expect some discussion of questions of incidence, but we are put off with a few scattered sentences, such as the declaration (p. 12) that the truth of the diffusion theory is "too self-evident to need discussion," or the questionable announcement that "all economists are agreed that taxes upon raw materials or upon labor are added—and added with a profit—to the price of goods."

The same readiness to take things for granted appears in the failure to support the proposition of the platform that a real estate tax rests least heavily on laborers. It has often been supposed that tenants pay the house-tax for the most part, and it is certain that rent is an important item in the budget of most laborers. A writer on taxation can hardly be excused for fully identifying taxation according to ability with proportional taxation (p. 4), or for calling the income tax a "mode of encouraging a more equitable distribution of wealth" (p. 146).

The admirable purpose of the book may, however, perhaps be allowed to cover some of its technical shortcomings, and justify this notice.

A. P. WINSTON.

The Theory of Wages. By HERBERT M. THOMPSON. Macmillan & Co. Pp. xxiv. + 140.

The author of this clear and very readable discussion of theory seeks to prove that the product of industry is divided up amongst the agents of production in shares, all of which are interdependent on each

other, and then to show by a series of illustrations in actual concrete numbers what facts and figures, on this supposition, are relevant to the solution of the wage problems of the day, and how such facts, when ascertained, should be used.

The wage-fund theory, as interpreted by Cairnes and Fawcett, is treated briefly and after the manner of Walker. A very full exposition and criticism of Mill's famous proposition, that "A demand for commodities is not a demand for labor," is here given. The case against Mill, Cairnes and Fawcett seems pretty well established.

General Walker's contention that labor is the "residual claimant" is opposed as equally true of other agents of production, but is not sufficiently treated. General Walker has virtually admitted that the workman, in bargaining to-day for an estimated future product, is only a residual claimant when stronger in bargaining power than the employer.*

Mr. Thompson then essays a formidable task—namely, to prove that "the general rate of rents, like the general rate of interest, of wages or of remuneration of organizing power, takes its part in determining the prices of commodities," and that a tax on rents would raise the prices of commodities. Excluding all consideration of urban rents, where the fallacy might be plainer, he bases his argument on the power of new railroads, etc., to increase the quantity of available land and of other investments of capital to cheapen production upon land, and so to lower rents. Thus the author claims that land or land efficiency, like capital or brains or labor, can be increased, as there may be profit in so doing, and the supply of land determines its price, as is true with capital.

But all this does not disprove the fact that the price of land products is still determined by the marginal cost, and that the rent of all other land does not affect prices. The author believes that the aggregate rent of all land assists in determining prices of commodities, because, when an increased demand for land commodities much raises their price and the rent of the land in use, new land is taken up, and rents fall somewhat, though not to their old level. This extension of the margin is attributed to the rise of rent on the old lands; but is it not due to the ability of capital now to make normal profits on the new land more easily than by further application to the old?

The rent that some investments or increments of capital or labor

*See article by Walker, *Quarterly Journal of Economics*, Vol. V., pp. 491-2.

appear to secure, measured by their superiority over marginal labor or capital, corresponds with what Marshall terms only a quasi-rent, which, in the long run, is foreseen, and becomes the reward necessary to stimulate the production of these agents, while land rent is a true rent.

The author, however, seems to have in mind a truth of much importance, and one in need of more amplification than it has usually received. This is that the place of the margin of cultivation, which fixes rent, is itself largely fixed not only by the national dividend and consequent demand for products in general, or even the demand for land products, but is determined also by the cost of labor, capital and organizing power normally applied on this margin, and by the state of the arts.

A typical case of the author's treatment of current questions may be briefly given. Let X represent units of product, R stand for rent, I for interest, P for profits and W for wages.

The first supposition under the eight-hour day is that in eight hours men would do as much as now in eight and a half, and that increased brain power and better industrial methods will produce 910 units where now only 850. Then Mr. Thompson proceeds:

"Standard year (ten hours worked)	Eight hours of labor introduced
Ten numerical units of labor supply 10 units of labor power	Ten numerical units of labor supply $8\frac{1}{2}$ units of labor power
$x = 1{,}000$	$x = 910$
Ten units of land	Nine units of land at a much diminished rent
Ten units of capital	Eight units of capital at same rate of interest
Ten units of organizing power	Nine units of organizing power at somewhat diminished rate of profits
$R = 10 \times 8 = 80$	$R = 9 \times 6 = 54$
$I = 10 \times 16 = 160$	$I = 8 \times 16 = 128$
$P = 10 \times 16 = 160$	$P = 9 \times 15 = 135$
$W = \quad = \underline{600} = 10 \times 60$	$W = \quad = \underline{593} = 8\frac{1}{2} \times 69\frac{13}{17}$
$1{,}000$	910
The average wages received by a numerical unit of laborers will be 60	The average wages received by a numerical unit of laborers will be 59.3."

If the facts were as above, the laborers would get a little less per day, but more per hour and per unit of work.

Other suppositions more or less favorable to the men are worked out, and so of the effects of trades-unions, immigration, education, and the like.

EDWARD W. BEMIS.